

WHAT IS INCLUDED IN EARNED INCOME

Examples of earned income (without intending in any way to limit the provisions of the Resolutions/Ordinances to these examples) are salaries, wages; commissions, bonuses; drawing accounts (if amounts received as a drawing account exceed the salary or commissions earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly); incentive payments; tips; fees; benefits accruing from employment, including, but not limited to annual leave, vacation, holiday, sickness and separation payments; National Guard pay (except active duty), 1-W classification pay; stipends paid to graduate assistants; all other forms of compensation for an employee's services. Neither the kind nor rate of payment, nor the manner of employment exempts an employee from the tax. Compensation received in the form of property shall be taxed at its fair market value at the time of receipt.

WHAT IS INCLUDED IN NET PROFITS

Examples of "net profits" (without intending in any way to limit the provisions of the Resolutions/Ordinances to these examples) are: The net profits of a business or profession or of farm operations conducted by an individual or by a husband and wife, as computed according to the laws, regulations and procedure for computing Federal Income Tax "net profits" or "farm profits" as required to be reported on Federal and State Income Tax portion thereof resulting from things not taxed by the Resolutions/Ordinances, (such as capital gains or interest); royalties received by authors, inventors, etc.; income from the operation of hotels, motels, apartment rentals, trailer camps, tourist homes, boarding houses and other similar businesses; income from the business of renting of personal property; all other net profits of an enterprise, venture, or other activity, whether such activities are conducted within or outside the Taxing District. PLEASE NOTE - The net profit and loss of each business must be SEPARATELY stated and the net profit or net loss is to be determined SEPARATELY for each business enterprise. Persons engaged in more than one business activity during the tax year may not offset a loss in one activity against the gain in another.

WHAT IS CONSIDERED A NET LOSS

A taxpayer may offset a business loss against wages, and other compensation (W-2 earnings-line 1). This offset is allowed based on the PA Supreme Court decision in the O'Reilly vs. Fox Chapel School District Case decided March 16, 1989. A taxpayer may not offset a loss from one business entity against a net profit from another business entity, Aronson vs. City of Pittsburgh, 485 A. 2d 890 (1985). All allowable business losses must be reported on line 4. Supporting documentation required: Federal Schedules C, F, E or 1065 K-1 must be attached.

WHAT IS NOT SUBJECT TO THE TAX

The following are not considered to be earned income and are not subject to the tax: sickness, disability or retirement benefits paid (except regular wages); payments made under any public assistance or unemployment compensation legislation; compensation bonuses paid by a State or the United States for active military service in the Armed Forces, except National Guard and 1-W pay; death benefit payments to an employee's beneficiary or estate, whether payable in a lump sum or otherwise; proceeds of Life Insurance policies; cash or property received as a gift, by Will or statutes of descent and or distribution; interest and dividends; value of meals and lodging furnished to domestics or other employees by the employer for the latter's convenience; capital gains; social security benefits; sub-chapter S-corporation earnings; payments received from annuities and deferred income plans; damages for personal injuries; scholarships; sub-pay; profits from limited partnerships engaged in real estate, oil, gas, mining leases or other similar investments.

UNREIMBURSED BUSINESS EXPENSES

The fact that an expense is deductible for Federal tax purposes does NOT mean that it is an allowable business expense for Earned Income Tax purposes. To be an allowable business expense, the expense must be ordinary, actual, reasonable and necessary. Examples of deductible expenses include union dues, license fees, cost of small tools, uniforms and work clothing not suitable for everyday use. Examples (but not limited to) of expenses which may NOT be deducted are travel to and from work, costs of meals and lodging for salesmen and truck drivers, etc., unless the "away from home overnight" test as established by the Federal Government is met; dues to Chambers of Commerce or recreational club memberships, occupational privilege taxes; fines; penalties; office space and facilities unless required by employer; personal expenses such as medical contributions, interest, other taxes, educational expenses not required by taxpayer's employer to keep his present job and moving expenses not required by present employer, child care, etc; Self-Employment Retirement Plans, Individual Retirement Accounts (IRA) or Keough Plans.